GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:659
ANSWERED ON:28.07.2006
AGREEMENT FOR GAS SUPPLY
Mahato Shri Sunil Kumar;Shaheen Shri Abdul Rashid

Will the Minister of POWER be pleased to state:

(a) whether any agreement has been signed between National Thermal Power Corporation (NTPC) and the Reliance company for the supply of gas;

(b) if so, the details thereof;

(c) whether rules have been violated by the Department of Power to accept this agreement; and

(d) if so, the action taken by the Government in this regard?

Answer

THE MINISTER OF POWER (SHRI SUSHILKUMAR SHINDE)

(a) : NTPC invited bids under International Competitive Bidding for procurement of natural gas adopting the transparent and fair bidding process. Many leading national and international bidders had participated in the bidding. After the qualification of bidders as per bidding process, the Request for Proposal (RFP) was issued to all the qualified bidders in April, 2003. The Agreement to be signed by the bidders were prepared and issued to the bidders as a part of RFP documents. The techno-commercial bids were opened in Sept, 2003. Based on discussions held with participating bidders on the conditionality/deviations taken by them in the bid, the final draft of Agreements to be signed was issued to all the bidders. Reliance Industries Ltd.

(RIL) accepted the final draft of Agreement as a part of bidding process.

Based on above bidding process, RIL was evaluated to be the lowest bidder and, a Letter of Intent (LOI) was placed on 16.06.2004 on RIL, resulting into a binding contract.

(b) : The salient features of the Agreement are as follows:-

(i) Planned Capacity Addition: 1300 MW each at Kawas & Gandhar.

(ii) Annual Contracted Quantity (ACQ): The ACQ under the agreement is 132 Trillion British Thermal Unit(Btu) (about 3 Million Tons Per Annum of Liquefied Natural Gas (LNG) equivalent). This quantity of gas was estimated to be sufficient to sustain about 80% PLF for the expansion units at Kawas and Gandhar.

(iii) Period of Contract: Considering that for the purpose of tariff, the economic life of the gas based project is considered as 15 years, accordingly the period of contract was kept as 17 years considering the initial ramp-up/built up period.

(iv) Quantity variation: For operation flexibility, a variation of + 5% of ACQ on annualized basis had been provided.

(v) Take or Pay (TOP) level: In case of any short lifting of gas by the Buyer during any contract year, it is required to pay for 100% of ACQ, whether taken or not in that year.

(vi) Non-Supply of Gas/LNG: In case of short supply of gas by the Seller, it is required to pay the Price differential between landed cost of alternate fuel and Natural Gas.

(i) Pricing Terms: Out of the quoted price, 85% price was kept as fixed, whereas 15% is Variable which is linked to United States

Consumer Price Index (USCPI) for dollar price and Wholesale Price Index (WPI) for Rupee price.

(ii) Conditions Precedent (CP): Provision for having appropriate CP`s to enable the parties to attain their financial closures were kept. A 12 months period was allowed for parties to satisfy their respective CP`s.

(iii) First Gas Delivery: As per Gas Sales & Purchase Agreement (GSPA), bidder is required to commence gas supplies within a sliding window of 28-40 months from the date of CP Satisfaction.

(iv) Price: Price for Natural Gas by RIL (US $ per Million Btu): The price at power plant boundary is US $ 3.27 at Net Calorific Value (NCV) basis and US $2.97 at Gross Calorific Value (GCV) basis (both including taxes).

(c) & (d) : As brought out at Para (a) above, the bidding for procurement of Natural Gas was done on International Competitive Bidding basis adopting the transparent and fair bidding process. The Agreements were prepared based on International Gas Supply Contracts prevalent at that time and keeping in mind NTPC`s interest. The bidders were also given a chance to withdraw their bid from the bidding without forfeiting their bid security, in case they don`t accept the conditions specified by NTPC. Further, the bidding process followed in this procurement was based on internationally acceptable Two-Stage tendering process. Thus no rules have been violated in preparation as well as finalization of the agreement, accepted by RIL. However, the matter is now sub-judice.